

BETWEEN LEGAL REGULATIONS AND ETHICAL PRINCIPALS IN THE WORLD OF INTERNATIONAL BANK TRANSACTIONS

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Abstract:

Industry loans is one of the business with the greatest social impact. The mature markets bank creates tools defense that protects individuals and balance economic. The immature market suffer lack of morals as a cost of poverty and underdevelopment. Often policies lending practices in the relations the applicant with loans and borrowers, as well as portfolio proriu current products and services that credit is immoral and irresponsible. Unfortunately in proportions very large banks and financial institutions, nonbanking in Romania, adopted by practices easily unacceptable on the west market, credit could not be opened in the need for the development of communities. It can be identified three principles that give the size of the credit service ethics: justice and fairness, transparency and social responsibility.

Key words: *ethical principles, international banking transactions, regulations, credit policies, social responsibility*

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In a free market, the ratio between supply and demand will usually determine the conditions under which the applicant obtain credit from the money lender. Sometimes, however, unfortunate contexts, intervention, regulation or disproportion between supply and demand vitiates these conditions. This becomes visible in policies immoral and unfair practices in the market offers irresponsible loans. Mature markets is creating tools for the defense that protects individuals and economic balance. Immature markets stand this lack of moral as a cost of poverty and underdevelopment. But markets are immature developing countries, precisely those who need greater resources. In these circumstances, what is acceptable and what is not justified on the credits? Too often, policies for lending practices in dealing with loan applicants and borrowers, and the proper portfolio of products and lending services are immoral and irresponsible. Banks and financial institutions in Romania nonbanking easily adopt practices that are unacceptable to western markets. Creditors of Romania are not open to the development needs of communities, do not seem interested in any social context in which they develop business and social impact of products and services, do not invest in the future and change, don't make progress and development sustainable communities an own goal. In today's credit market, money is not considered as just a commodity. They nourish the economy and provides fuel needed to operate and to develop. Largely smooth functioning of an economy depends on the ease with which the circulating capital resources. Similarly, management and development of communities and the integration and functioning of individuals in society depend to a large degree of access to resources. The loan is more than a product or service sold on the market. Functioning of the credit must be seen not only as a natural result between the relationship of supply and demand, but also from the perspective of the social impact generated. In fact, the credit industry is one of the business with the greatest social impact. This kind of impact, along with assumptions underlying the relationship between creditor and debtor, make ethical and responsible lending to one of the social indicators of functioning

market economy and democracy itself. Simply said, the health of the credit institution is a sign of democracy and a functioning market economy.

Along with ownership, the right to work, freedom of contract or the right to register a company and perform commercial transactions with the objective of profit, equal access to credit is one of those modern rights. This access to credit allows some principles proper to down in constitutions and to build democratic society with free individuals and autonomy. According the Responsible Credit Principles, formulated by the European Coalition for Responsible Credit, credit is essential for individuals to function fully in society today. All individuals should be able to receive service credit fair, transparent and accessible.

From those reported above, in terms of lending can identify three principles that give ethical dimension of service credit: justice and fairness, transparency and social responsibility.

Under the first principle of the ethical dimension of justice and services for equity loans, individuals must enjoy the freedom of the contract. This involves parts of a credit commitment, balanced between the rights of the debtor and creditor. Here we talk about discrimination in granting credit. Under the second principle, the transparency of loan applicants and borrowers have the right to be properly informed on the advantages and disadvantages of credit available on the market. Truth in advertising and truth in promoting loans are two important rules in this case. Often, these truths are clearly covered. Obviously, a market of credit must create institutions that educate individuals about their rights, to monitor the observance of these rights and their violation to be sanctioned. Under the third principle, that of social responsibility, credit institutions must identify strategies to profit and minimize the negative impact to maximize the benefits generated by these services in the community. This means: responsible for strategy and risk management policies to avoid bad loans and overduty encourage investment and develop long-term loans to encourage sustainable development projects and environmental protection, policy loan for disadvantaged areas for SMEs to innovative and entrepreneurial projects with significant social impact; loan for studies.

Taking as reference the three ethical principles of the services listed above, we can identify five major types of problems underlying the Romanian credit industry :

1. The problem of the legitimacy . This concern the inequities of the relations between debtors and creditors. Debtors' rights are often violated at different levels: at the level of lending to the so-called general business conditions, which define the basic framework in which creditors conclude credit contracts, but also the practices and conduct in dealing directly with officials-banking financial institutions.

2. The problem of the access to credit. A first essential questions that can be put in this field would be one of persons who need credit and those who receive loans on the market, both in general and from a lender announced in particular. Another important question would be on the real needs of people and communities and the extent of money creditors are placed in loans that meet these needs . Moreover, another question which is still looking for an answer is related to that of creditors from Roania have or not preferential lending policies socially responsible. Were creditors of Romania loan policies and socially responsible to the social impact of preferential loans for development initiatives locală. At the same time the initiatives of creating credits for local development and entrepreneurship are rather exceptions. Yet, their effects are shy and evaluated.

3. The problem of marketing is viewed as the third question regarding the Romanian credits industry . This seeks truth and transparency in promoting products and lending services. Given that the current credit targeted population is infinitely more complicated than once, where we have to do with an offer more diverse, with sophisticated products and services, involving more parties which creates contractual

and informal relationships difficult to understand and manage the applicant credit promotion credit is cynical, disingenuous and socially irresponsible.

4. The portfolio problem of products is the fourth issue considered . This problem have in consideration the credits and the actual service credit offered. On the market there are still such many products inadequate to the social context in which we find, inadequate poverty needs of individuals and communities, the needs of development and long-term investment. Among the irresponsible products promoted in Romania including zero interest loans, loans with interest introductory or promotional credits to the identity card . Too often, these products takes to overduty, inability to pay, the injustice and drama.

5. Financial education problem, in terms of the four problems above, the fifth, it acts on public and ethical training of officials of institutions credit. It is the problem which seems to have an innovative character. Practically, in Romania there are no such programs. At this time, none of the institutions that have a role or another in the loans from banks and Financial Institutions NonBanking to banking associations and the National Bank, does not seem willing to assume such responsibilities relating to financial education.

Romanian industry loans, banks and financial institutions NonBanking, take advantage of full and prosperous in all practices and offers products and services labeled as Western predatory lending (predatory lending). Instead, policies and innovative concepts such as responsible lending or financial education, experienced and proven as a beneficial and profitable markets mature, there are no concepts for banks and officials of the Romanian banks. These things are even more culpable where most lenders are institutions of western Romania.

Lenders offering the Romanian market any credits and in any conditions. Given that many questionable practices were adopted by Western creditors reputed, was hard to tell who are creditors who are usurers .Otherwise in Romania, over 90% of the banking system is owned by foreign capital, in good measure and West even before this Accession to the European Union.

In case you refer to only one general indicator, it is not other than the Annual Interest effective, must take into account that it must be calculated for all creditors the same. Unfortunately this doesn't happen in Romania. In such a context , National Bank shall require recalculation of this indicator to the bank. The other refers to the obligation of creditors to mention borrowers interest effectively. But this information is not specified and presented in such way to be unseen. This is an attempt to deceive people doubtless.

One of the clauses in the general credit of a bank is that the bank is entitled to amend the interest rates, fees, charges, without notice. Result of this provision clearly credited as the signs and has agreed to pay anything, however, still be nazare a bank in a certain period. It's like a slavery contract between citizen who borrow and bank finance, that latter have the right to do whatever he wants.

In Romania, for instance, there is still that of early repayment fee, which is considered unfair by the European Commission. Once that was announced in 2010 that this commission will be more than 1% of the loan, creditors they have increased very much, for little more advantage of this freedom. It's an example of a unilateral clause, which the client doesn't like to negotiate.

Euromarkets equity are the markets which are issued euroloans on medium and long term, that is for a period exceeding 18 months. Euromarkets includes: network financial institutions, intermediaries and participants are either natural persons, companies or governments that sell and compare loans in eurovalute. This are closely linked to money market or local market currency . For functioning as euromarkets these three essentials conditions are necessary : stable foreign entities have no freedom to

maintain and transfer demand deposits, eurobanks can provide better conditions for deposits and loans in a convenient, to exist an application for loans and deposits in the starina coin.

The market of the eurocredits as a definition gaved and seen from several points of view, can be considered as:

- eurocurrency-market over the medium term;

- credit-market and other currencies than the issue of which country is located the bank;

- includes all loans on medium term ;

Participants in this market are commercial banks, the biggest creditors, large companies (Multinational), international organizations and governments (only those in developing countries, the biggest debtors). Eurocredits are provided by a group of large commercial banks who are sharing the risk of non-payment.

Both the European Central Bank (which replaced the European Monetary Institute) and the system to which the system is a EUROFED independence both from governments participating in the UM, and from the bodies. Decisions are taken by the European Central Bank focused only to achieve its objectives as they were formulated by statute.

Capital of the European central bank is 5 million Euros. This capital contribution made by the central banks of 11 countries and parts of shares subscribed by the central banks of some countries do not. Calculation of these contributions was made according to the GDP and population size and will be paid in full.

Main objective of the European Central Bank is price stability, as it was established by defining statut. This establishing itself as an annual increase of the Harmonized Index of Consumer Prices (HICP) for the euro area of below 2% over the medium term. Such a formulation does not exclude the oscillation of prices in the short term, but with a trend in employment stability provided.

Regarding the balance sheet International Relations, National Bank is in Romanian collaboration in information exchange, technical assistance, cooperation agreements (particularly in banking supervision) with the central banks of countries: Azerbaijan, Cyprus, France, Germany, Greece , Indonesia, Italy, Kazakhstan, Kyrgystan, Malaysia, Great Britain, Moldova, Netherlands, Czech Republic, Tunisia, Turkey, Hungary. . During the year 2007 were signed Memoranda of Understanding on cooperation and information exchange with the central banks of Malaysia, Tunisia, and Jordan. This memorandum provides general legal framework for the conduct of relations of cooperation in banking supervision, exchange of information and views on matters of monetary policy, as well as training programs and assistance.

Influence of international transactions, which had an impact on legal regulations and ethical principles we can remember that when, in 2006, the Bush Administration spyed the world financier transactions . As a result of this espionage, the american officials have justified theirsself saying that this step was necessary to improve the fight against terrorism.The Department of the Treasury have spyed in the last five years, from the September 11 attacks, international banking transactions, banks without their knowledge or their customers. Treasury has managed this through access to a secure messaging system that are related to over 7,000 financial institutions in over 205 countries, held by SWIFT. SWIFT is a key element of the global banking system, facilitated the achievement of every day over 11 million international banking transactions. Network, which since 1977 manages secure messaging system allows carrying out a series of operations such as money transfers, payments to be made, money exchanges or transactions with bonds. Transmission of the information is coded, and authentication procedures are very strict. On the other hand, the U.S. administration defended the legality of the program secret in the fight against terrorism, even Treasury

Secretary, saying he is proud of the annihilation of financing terrorism, John Snow. This is a program that coincides with the democratic values of the United States and their legal traditions, is designed to make both the United States and the others states more secure.

Another transaction with major influence was the Transactions with bonds of the World Bank. The value of the Bank transactions with bonds tends to be closer to the realized stock. Only during of 10 days, with headlines International Bank for Reconstruction and Development were carried out transactions of 6 million, confine the most activity in this year 2006, there was transactions daily Bondurant issued by the World Bank.

Increased interest on these securities may be placed on the need for liquidity, say brokers in the market. The loan is repayable at maturity, and this could take the lead on some large investors to liquidate their holdings in advance.

Maturity issue remained less than 1 year, the last coupon is paid in March 2009.

Ultimate funds attracted by the bank were a thousand lei bonds, with an interest rate of 6.5% annually. Maximum at which bonds were exchanged in the market was recorded in September, near the payment coupon. Since then, the price at which trades bonds fell to 8.5%.

Issuance of bonds of the World Bank is the largest on the Bucharest Stock Exchange. The offer attracted 525 million lei, including investors counting to banks or investment companies.

Otherwise, the transaction value on the international Forex market have had a major impact on international transactions. Like many other investments, international exchange could present a high risk and may not be suitable for all investors. Actually, the investor can lose all the initial investments and may be liable for additional losses. Therefore needs to understand the risk associated with this product so they can take the final decision to invest. We must also understand the language of currency markets before they trade them.

According to Bank of International Settlements (BIS), the exchange rate to bring a global turnover of \$ 3 trillion per day, of which 50% are only traded on the London and the U.S.. BIS duties were and are: the launch of the euro, the merger of banks, the development of electronic trading by eliminating trading via telephone and voice (which leads to decrease the number of transactions) and non-consolidation of accounts which reduced the time in need of foreign exchange.

Although the currency trading is by inheritance, government (central banks) and institutional (commercial banks and investment), market exchange rate is the sphere of activity of international non-corporate banking, funds of individual investors and speculators. However, technological advances such as the Internet, have made it possible for private investors to monitor currency markets and to deal through intermediaries.

International currency market (forex) market is a large, growing and liquid which runs 24 hours a day. Not a scholar in the market for traditional purposes has no central trading location or exchange. Most transactions are done via telephone or Internet.

The first market for the currency is the Interbank market where banks, the insurance companies, large corporations and other large financial institutions control the risk associated with currency rate fluctuations. The true interbank market is available to the institutions that trades large volumes and high net worth.

The main markets are those in London and New York, United Kingdom and the United States producing more than 50% of transaction volume, followed by the Tokyo market. Trading activity increases when major markets overlap. Nearly two-thirds of

activity in New York takes place during the morning, while markets in Europe are still open.

Transactions are made mainly by phone, and now are increasingly more on the Internet. Only in recent years, the investor individual could have access to this market. Next, large amounts necessary exclude individual investors. With the booming Internet gained from increasing competition and now it is easier for most investors to have access to this market.

Another influence in international transactions took it in 2007, major international banks have frozen 46 transactions. This was due mortgage crisis in the U.S. has left the most important banking groups with debts of around 400 billion dollars.

Over 60 billion dollars, so much worth 46 credit transactions throughout the world who have been blocked by banks. However, freezing lending not led to the cancellation of transactions. But in the context in which banks were enriched with loans of billions of dollars which you can sell on to investors, companies that plan to make further acquisitions likely can not obtain financing.

Banks around the world in 2007 had debts of 400 billion dollars representing uncompleted acquisitions and take over the financial groups plan to sell them to investors, as the data held by Baring Asset Management. In addition, banks have blocked the granting of loans in value of 60 billion dollars, which include arrangements in which they endorsed, but failed to sell them to investors in the form of bonds. In 2006, banks sold loans worth 4.000 billion dollars and bonds valued at 837 billion dollars from companies across the world. For such as bonds and loans to be sold, it is very likely that companies who rely on loans for purchases to accept credit costs more higher. On the other hand, corporate buyers are less affected because they have the cash or sell actions. For all this, it is necessary that this market to get over.

Confronting the applicable laws and regulations, as well as international commitments and conventions in force, the bank must ensure that the rules of transparency of financial information for the community, regulatory authorities and oversight, and public shareholders. Will not be able to create value with respect to ethical principles needs.

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